



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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August 11, 2003

**TO:** Senator Lisa Brown, Chair  
Senator Dino Rossi  
Representative Jack Cairnes  
Representative Jeff Gombosky  
Marty Brown, OFM, Director  
Will Rice, DOR, Acting Director

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** August 10, 2003 REVENUE COLLECTION REPORT

General Fund-State collections totaled \$910.3 million in the July 11- August 10, 2003 collection period. Receipts were \$24.8 million (2.8 percent) above the estimate for the month. This month's positive variance more than offsets last month's shortfall. For the two months since the June forecast collections are \$20.2 million (1.1 percent) higher than expected. The positive variance, however, is not due to a strong economy. Unusually large estate tax payments and a very strong real estate market were the primary reasons for this month's strength. While Revenue Act (retail sales, B&O, use and public utility) collections were also above the estimate this month, most of the Revenue Act's positive variance was due to an extraordinarily large audit payment, not to stronger than expected economic activity.

The Bureau of Economic Analysis reported that the price adjusted output of goods and services increased at a rate of 2.4 percent in the second quarter of 2003. This is up from 1.4 percent in the first quarter. Although production is rising jobs continue to fall. The U.S. economy lost another 44,000 jobs in July. This was disappointing particularly with the improvement in output. Since January the economy has lost 486,000 jobs. Payroll employment in the state rose a little on a seasonally adjusted basis in July after falling in June. Still, July employment remains below the year-ago level.

Revenue Act receipts, reflecting payment of taxes that are closely tied to economic activity, were \$8.5 million more than expected for the month. Collections this period primarily reflect June 2003 business activity of monthly taxpayers and April, May and June activity of quarterly filers. Revenue Act collections this month included two unusually large and unexpected transactions. A \$28 million audit payment was partially offset by a \$21 million refund. The \$7 million net gain from these two transactions accounts for nearly all of this month's \$8.5 million Revenue Act variance. Cumulatively, Revenue Act collections are \$1.1 million less than expected in the June forecast. For the month, Revenue Act receipts were 2.4 percent above the year-ago level (adjusting for special factors and new legislation). While this is double last month's 1.1 percent increase and the best since February, the trend remains weak. For the last six months Revenue Act collections are only 0.8 percent above a very weak year-ago period.

Preliminary data on tax payments of the 10,000 largest taxpayers for the current month again indicate that retailing activity was stronger than non-retailing. Tax payments of business in the retail trade sector were more than 5 percent above the year-ago level, while payments from taxpayers in non-retailing sectors grew more than 2 percent. Within retail trade, tax payments reported by all major sectors, other than electronic and appliance stores were higher than a year ago. Gas stations and convenience stores, and building materials/garden equipment stores reported the largest percentage gains. Among major non-retail sectors, preliminary data indicate the largest percentage declines were reported by the arts, entertainment and recreation sector and the transportation and warehousing sector. The construction sector again posted a small decline. Non-retail trade sectors that reported increases in tax payments include utilities, the wholesale trade sector and the finance and insurance sectors.

Other General Fund taxes collected by the Department of Revenue were \$16.6 million above the estimate for the month. For the two months since the June forecast Non-Revenue Act taxes are \$20.6 million above the forecast. Higher than expected real estate excise and estate tax payments account for most of the variance for both the current month and cumulatively.

Real estate activity continues to grow faster than expected. Real estate excise tax payments were \$4.5 million above the forecast for the month and are \$8.1 million above the forecast in the two months since the June forecast. Real estate activity (closings in June which reflecting tax payments to the state in July) was 20.4 percent above the year-ago level statewide. The number of transactions was up 15.9 percent, while the average value per transaction increased 3.9 percent. Real estate activity has increased more than 20 percent eight of the past nine months.

Department of Licensing General Fund-State collections were \$381,000 below the estimate for the month but is \$701,000 higher than expected in the two months since the June forecast.

The attached Table 1 provides a comparison of collections with the June forecast for the July 11 - August 10, 2003 collection period and cumulatively since the June 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**August 10, 2003 Collections Compared to the June 2003 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>July11 - August 10, 2003</b>				
Department of Revenue-Total	\$882,403	\$907,538	\$25,135	2.8%
Revenue Act** (1)	795,289	803,825	8,536	1.1%
Non-Revenue Act(2)	87,113	103,713	16,599	19.1%
Liquor Sales/Liter	7,504	7,501	(3)	-0.0%
Cigarette	4,540	5,855	1,315	29.0%
Property (State School Levy)	10,150	11,697	1,547	15.2%
Estate	8,682	17,872	9,190	105.8%
Real Estate Excise	45,489	50,015	4,525	9.9%
Timber (state share)	0	0	0	NA
Other	10,748	10,772	24	0.2%
Department of Licensing (2)	3,144	2,764	(381)	-12.1%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$885,547</b>	<b>\$910,301</b>	<b>\$24,754</b>	<b>2.8%</b>
<b>Cumulative Variance Since the June Forecast (June 11, 2002 - August 10, 2003)</b>				
Department of Revenue-Total	\$1,911,603	1,931,118	19,515	1.0%
Revenue Act** (3)	1,449,034	1,447,914	(1,120)	-0.1%
Non-Revenue Act(4)	462,568	483,203	20,635	4.5%
Liquor Sales/Liter	15,603	15,693	89	0.6%
Cigarette	8,608	9,723	1,115	13.0%
Property (State School Levy)	296,284	295,343	(942)	-0.3%
Estate	15,224	24,694	9,470	62.2%
Real Estate Excise	89,553	97,630	8,077	9.0%
Timber (state share)	0	(0)	(0)	NA
Other	37,296	40,121	2,825	7.6%
Department of Licensing (4)	8,205	8,906	701	8.5%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,919,808</b>	<b>\$1,940,024</b>	<b>\$20,216</b>	<b>1.1%</b>

1 Collections July 11 - August 10, 2003. Collections primarily reflect June 2003 activity of monthly taxpayers and April-June activity of quarterly filers.

2 July 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the June 2003 forecast; (June 11 - August 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June & July 2003) and revisions to history.

5 Lottery transfers to the General Fund.

\* Based on the June 2003 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**July 10, 2003 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>June 11-July 10, 2003</b>				
Department of Revenue-Total	\$1,023,580	\$1,023,580	\$0	0.0%
Revenue Act (1)	644,090	\$644,090	(0)	-0.0%
Non-Revenue Act(2)	379,491	\$379,491	(0)	-0.0%
Liquor Sales/Liter	8,192	\$8,192	(0)	-0.0%
Cigarette	3,868	\$3,868	(0)	-0.0%
Property (State School Levy)-net	283,645	\$283,645	0	0.0%
Property tax collections	283,645	283,645	0	0.0%
transfer to the Student Achievement Ac	0	0	0	NA
Estate	6,821	6,821	0	0.0%
Real Estate Excise	47,802	47,802	0	0.0%
Timber (state share)	0	0	0	NA
Other	29,162	29,162	0	0.0%
Department of Licensing (2)	5,217	6,146	929	17.8%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,028,797	\$1,029,727	\$930	0.1%

**Cumulative Receipts: June 11 - July 10, 2003 & Revisions to History**

Department of Revenue-Total	1,023,580	\$1,023,580	\$0	0.0%
Revenue Act (3)	644,089	644,089	0	0.0%
Non-Revenue Act(4)	379,491	379,491	(0)	-0.0%
Liquor Sales/Liter	8,192	8,192	(0)	-0.0%
Cigarette	3,868	3,868	(0)	-0.0%
Property (State School Levy)-net after trans	283,645	283,645	0	0.0%
Property tax collections	283,645	283,645	0	0.0%
transfer to the Student Achievement Ac	0	0	0	NA
Estate	6,821	6,821	0	0.0%
Real Estate Excise	47,615	47,615	0	0.0%
Timber (state share)	0	(0)	(0)	NA
Other	29,349	29,349	0	0.0%
Department of Licensing (4)	5,213	6,142	929	17.8%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,028,793</b>	<b>\$1,029,722</b>	<b>\$929</b>	<b>0.1%</b>

Preliminary. Reported in the July 10, 2003 collection report.

1 Collections June 11 - July 10, 2003. Collections primarily reflect July 2003 business activity of monthly taxpayers.

2 June 1-30, 2003 collections.

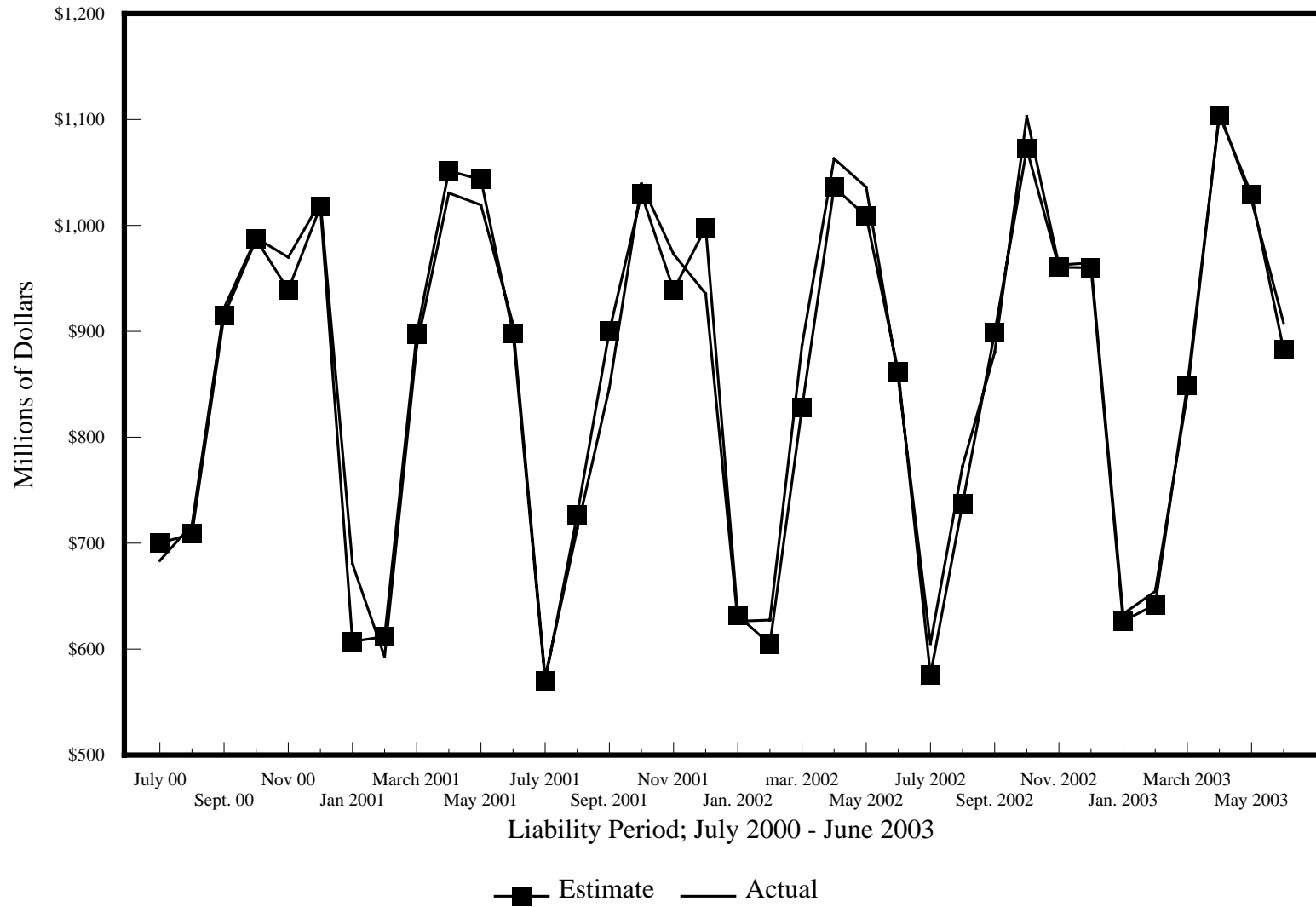
3 Cumulative receipts since the June 2003 forecast: June 11- July 10,2003 & revisions to history.

4 Cumulative receipts since the June 2003 forecast (June 2003 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

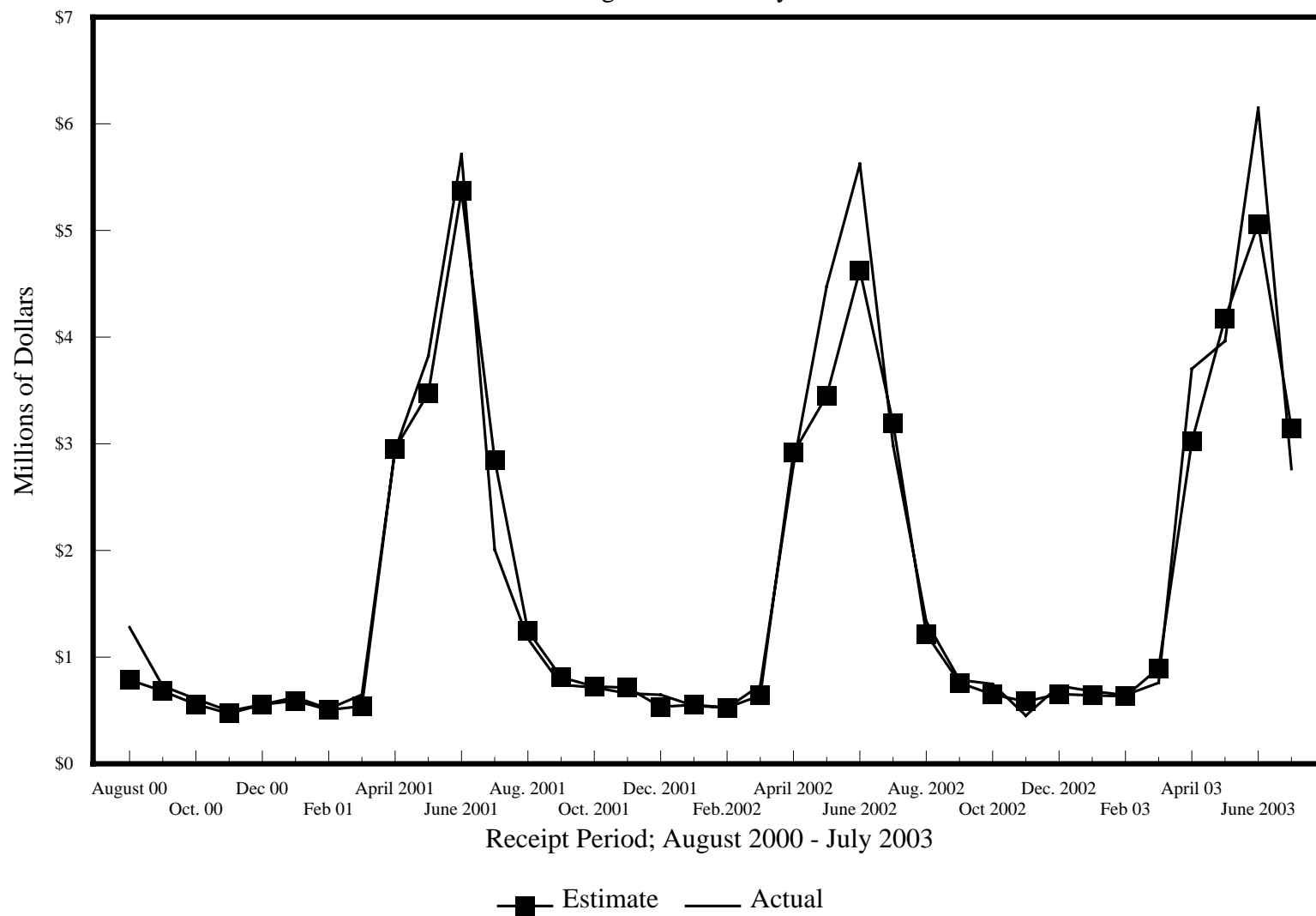
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to June 2003



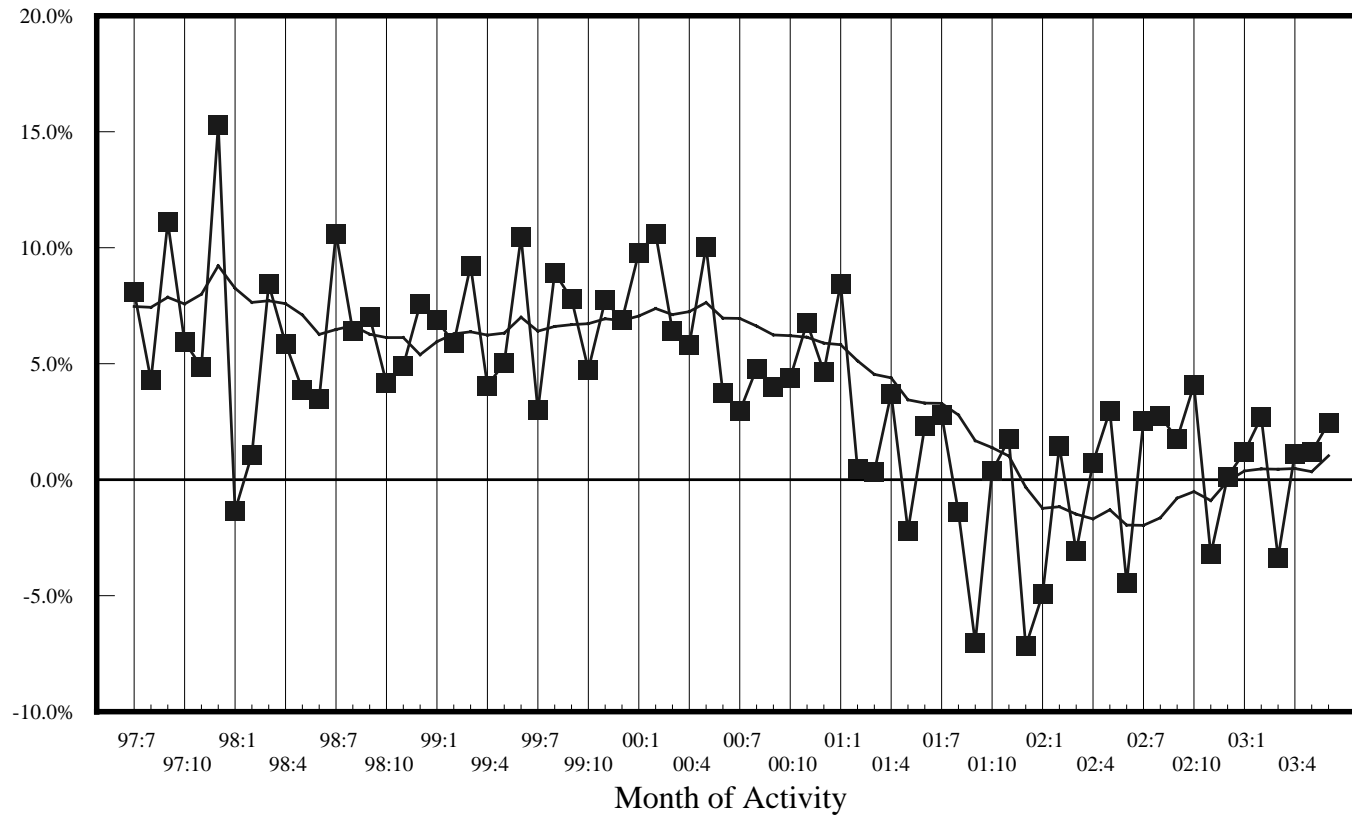
# Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to July 2003



# Revenue Act Net Collections\*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

\*Adjusted for special factors